



CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

55 TRINITY AVENUE, S.W.
ATLANTA, GEORGIA 30303-0300
TEL (404) 330-6100

July 10, 2008

Via Hand Delivery

The Honorable Lisa Borders
Members of City Council
Atlanta City Council
55 Trinity Avenue, S.W.
Atlanta, Ga. 30303

Dear President Borders and Members of City Council:

In an effort to keep you up to date, I write to provide an overview of my actions in response to City Council's legislative directive to cut spending as expressed in the Budget Ordinance passed unanimously on June 27.

Working directly with department heads, we have identified a series of cost reductions and reform initiatives that we will begin implementing immediately in order to meet the Council's legislative action. The cuts will involve the elimination of 165 positions and the reduction of a number of non-personnel items. Since these cuts come on top of the \$52 million in reductions contained in the Administration's proposed budget, these additional cuts will have a direct impact on municipal services.

We have concentrated on eliminating vacant positions, however, the reality of the City's operations and budget are such that a Reduction in Force will be necessary to meet the Council's Budget Ordinance. Moreover, given that public safety expenditures represent nearly 60% of the General Fund, it is not possible to make these cuts without impacting our public safety services. While we are committed to keeping the City safe, the cuts make clear that we will not reach our goal of 2,000 police officers by 2010.

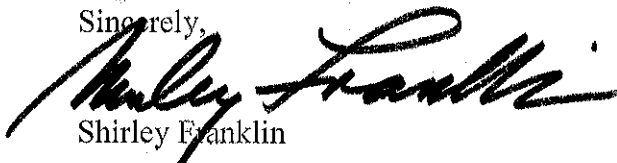
On the advice of the Chief Financial Officer and the City Attorney, we are implementing cuts that total \$16.5 million – slightly more than the amount implied by the City Council in its Budget Ordinance. Since a portion of the cuts involve the abolishment of currently filled positions, and since employees occupying those positions have the legal right to remain on the City's payroll until their accrued vacation is exhausted, this level of cuts is needed to achieve the \$14.7 million in actual budgetary savings mandated by the Budget Ordinance. (If you have any questions on this point, I refer you to the attached memo from Janice Davis dated July 9, 2008.)

Like you during your budget deliberations, I have relied on the experience and advice of our CFO in developing a sound cost-cutting program that anticipates the uncertain economic times ahead. In the attached memo, the CFO has emphasized her concerns for the revenue health of the City in FY2009. Notably, the CFO highlighted the recent decline in sales tax collections, Monday's court order involving disputed commercial property tax bills, and the mortgage foreclosure crisis to point out the revenue risk facing the City in FY09. The CFO specifically has recommended additional cuts (beyond those mandated by City Council in the Budget Ordinance) to avoid a deficit in FY2009.

Accordingly, I have worked with department heads to identify an additional \$5 million in cuts to the General Fund operating budgets as a proactive means of anticipating continuing lagging revenues. These reductions are distributed across several departments; they involve the elimination of 25 positions; and they include the reduction of a number of non-personnel items.

In closing, as a Mayor who has dedicated the last six years to improving services, adding police officers, and embracing a long-term vision of Atlanta as one of America's great cities, these are hard decisions to make. But I respect the authority of City Council under the City Code to require these additional expenditure reductions, and I will work hard to ensure that we find ways to accommodate the reduction in services to our residents.

Sincerely,

A handwritten signature in black ink, appearing to read "Shirley Franklin", is written over the typed name.

Shirley Franklin

Cc: Cabinet Members



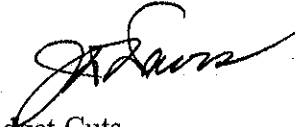
CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

DEPARTMENT OF FINANCE
68 MITCHELL STREET, S. W., SUITE 11100
ATLANTA, GEORGIA 30335-0312
VOICE (404) 330-6430 FAX (404) 658-6667

JANICE D. DAVIS
CHIEF FINANCIAL OFFICER

TO: Greg Giornelli, Chief Operating Officer

FROM: Janice D. Davis, CFO 

RE: Council-mandated Budget Cuts

DATE: July 8, 2008

You have asked my opinion on the total of cuts that would be necessary in order to ensure that the City Council mandated 2.5% budget reduction is met. In order to meet the 2.5% reduction it would have been necessary at July 1, 2008 to reduce the budget by \$14.7 M. However, given that we are now seven days into the fiscal year and many of the reductions will be reached through elimination of filled positions, it may be some time before the actual cost reductions are realized. For that reason, I would suggest that you seek cuts totaling at least \$ 16.5 M.

As I have monitored the fiscal year 2008 revenue collection over the past months, one thing has become evident; the City's revenue growth is slowing and in some instances at an increasing pace. In January our 2008 revenues were projected to reach \$ 597M. As of July 3, the FY 2008 revenues stand at roughly \$ 591.0M. Further, in a recent newspaper article, the State indicated that May sales taxes on the State level were lower than last year by 8.34%. As you know there is a two month lag between the collections by the Department of Revenue and receipt by the City. Based on that information, I expect that the City will see a similar reduction in its July sales tax.

The recent collection order for the 2008 tax digest will have a negative impact on the 2009 budget. While we have been unable to determine the full impact at this time you should preserve all options to deal with what could be a significant reduction to anticipated revenue. The Budget Commission may need to be reconvened.

If you have the opportunity to do so, making cuts larger than those required by Council would be prudent.//

cc: Ray Zies, Controller
Tanya Jackson, Chief, Budget and Fiscal Policy